

**Buildings Policy**

Policy Area: Accounting & Financial Reporting	Effective Date: 7/1/1995
Policy Sub Area: Capital Assets	Last Revision Date: 1/22/2007
Authority: GASB Codification Section 1400	Policy Owner/Division: Statewide Accounting

Policy

Buildings are structures that are permanent in nature and have an asset life of two or more years. They are subject to depreciation.

Buildings are valued at the purchase price or construction cost. Cost should include all charges necessary to put the building or structure in its intended state of operation (i.e. professional fees for brokers, attorneys, architects, appraisers, financial advisors, interest during the period of construction, etc.). Permanently attached fixtures to the building (i.e. heating and ventilation systems, roofs, plumbing, carpet, and electrical systems) should be included in the cost of the building.

When an addition that exceeds the agency's inventory/capitalization threshold is constructed, it is capitalized as a separate asset. For leased buildings, the type of lease dictates whether a building is capitalized.

When a renovation/improvement is constructed, it is as a separate asset if it exceeds the capitalization threshold. Renovation and improvement costs are incurred to restore or improve buildings or other capitalized assets. Normally, these costs take place over an extended period. Care must be taken to distinguish between maintenance and renovation/improvement costs.

The buildings are to be included in the annual inventory of the controlling agency. The inventory ensures that the controlling agency has the buildings recorded in its records.

The long-term construction costs of buildings are paid from Capital Improvements (CI) budget codes. Costs are expended from CI budget codes while the building is under construction. Such costs would include architect fees, plumbing and electrical contracts, contractor fees, etc. Annually, the project to date expenditures (on the accrual basis) in the CI funds, less items capitalized, are recorded in the "Construction in Progress" account.

After a building is inspected by the State Construction Office, the agency receives a Letter of Acceptance from the State Construction Office (for form example contact the State Construction Office). After receipt of this letter and when the building is ready for occupancy, the building is

considered complete. The agency within 30 days of completion reclassifies the amount from the "Construction in Progress" account to the fixed asset building account and issues the building a fixed asset number. This should be done regardless of whether the total Budget Code accounting for the asset has been closed out. The agency sends a Building Update Form (for form example contact the State Property Office) to the State Property Office upon completion of the building, including such information as total cost, square footage, acquisition date, etc. **Each agency should reconcile their records annually with the State Property Office to ensure that all buildings have been correctly reported.**

Procedures

NA

Accounting Guidance

Donated buildings should be capitalized at the appraised fair market value at the time the building is donated.

If using in-house resources such as labor, materials, and supplies from General Services to construct or add on to the building, the costs are to be included as part of the cost of the asset. Capitalize the costs as if outside sources were used.

Maintenance expenses are incurred to keep assets in normal operating condition and to help maintain the original use of the building. Maintenance expenses do not extend the life of the building beyond the expected useful life at acquisition, nor do they increase the future service potential of the building. Maintenance costs are expensed and not capitalized. The costs are charged to repairs and maintenance.

Related Documents (Memos/Forms)

[Depreciation Policy](#)

[Capitalization Policy](#)

[Lease Obligations Policy](#)

[Maintenance Policy](#)

Revision History

Date	Description
01/22/2007	To clarify definitions of renovations/maintenance.